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6/30/03

MS BUTLER,

THE ENCLOSED LETTER CONTAINS
A FEW MINOR CHANGES RELATIVE
TO THE FAXED COPY:

1. MY TITLE - I WAS TOLD BY THE
VICE DEAN, JUST AFTER FAXING
THE LETTER, THAT I HAD BEEN
PROMOTED TO ADJUNCT FULL PROFESSOR.
2. TYPE IN TED SCHROEDER'S NAME
3. SPACE BETWEEN PARAGRAPHS
ON PAGE 3.

WE LOOK FORWARD TO RECEIVING
THE REQUEST FOR PROPOSAL.

Marty Asher

The Wharton School
University of Pennsylvania

received
6-30-03 ESS

Wharton

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Martin A. Asher, PhD

Director

Adjunct Associate Professor of Finance

June 30, 2003

Tess Butler
GIPSA
USDA
Room 1647-S
1400 Independence Avenue, SW
Washington, D.C. 20250-3604

Dear Ms. Butler,

I am writing on behalf of a team of professors affiliated with the Wharton School of the University of Pennsylvania in response to GIPSA's notice and request for comments on a proposed **Livestock and Meat Marketing Study** (*Federal Register*, May 30, 2003 Vol. 68, No. 104). Having previously written a five-page document that briefly identified disputed issues in the U.S. beef industry that we are prepared to investigate, nearly all of which are contained in the notice and request for comments, I am writing to confirm our interest in conducting a study of the elements set out in more detail by GIPSA. At such point that GIPSA releases a Request for Proposal, our team, augmented by consulting arrangements with some of the nation's top agricultural economists, intends to submit a proposal to develop and implement a study that would provide an independent evaluation of the contentious issues in the U.S. beef industry.

As identified below, the principal team members will include faculty trained in industrial organization and general microeconomics, finance, marketing, and econometrics and statistics. We intend to establish consulting arrangements with top agricultural economists of different persuasions, two of whom have already tentatively agreed to work with us, to add their expertise about the relevant markets and marketing arrangements at issue. In this way, the principal team will be able to provide GIPSA with an objective analysis of disputed issues, informed by its own reading of an extensive literature, replication of existing studies, performance of new or alternative analyses, and input from those in the field who have contributed to a rich but conflicting body of knowledge about the beef industry.

The team members will include:

Dr. Martin A. Asher (Project Coordinator)
Director, Joseph Wharton Scholars Program
Adjunct Professor of Finance
Wharton School, University of Pennsylvania

Dr. Eric T. Bradlow
Associate Professor of Marketing
Wharton School, University of Pennsylvania

Dr. Francis X. Diebold
William Polk Carey Professor of Economics
Professor of Finance and Statistics
Wharton School, University of Pennsylvania

Dr. Paul R. Kleindorfer
Anheuser-Busch Professor of Management
Professor of Decision Sciences, Economics, and Business and Public Policy
Chairperson, Department of Operations and Information Management
Co-Director, Risk Management and Decision Processes Center
Wharton School, University of Pennsylvania

Dr. Martin K. Perry
Professor of Economics
Rutgers University
Visiting Professor of Business and Public Policy
Wharton School, University of Pennsylvania

To date, we have spoken with Dr. Ted C. Schroeder at Kansas State University and Dr. Richard J. Sexton at the University of California at Davis who, though holding some conflicting views on issues relevant to the proposed study, have expressed an interest in jointly working with the team of Wharton faculty to assist them in performing an independent analysis. We expect to invite a small number of other distinguished agricultural economists to similarly join the effort.

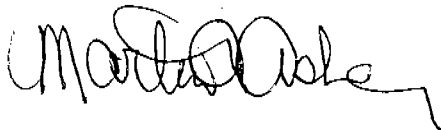
Though each team member's *curriculum vitae* is too extensive to summarize here, I will very briefly identify those parts of the study over which they would take principal responsibility. Dr. Martin Perry – one of the nation's leading industrial organization economists, and who wrote the section on vertical restraints in the ***Handbook of Industrial Organization*** – would oversee significant portions of the study that deal with vertical coordination and effects of market segment concentration. Given my own background in industrial organization, including expert witness testimony on issues of price fixing and market allocation, I would, in addition to coordinating the overall project, work closely with Dr. Perry on related IO issues. Dr. Paul Kleindorfer – who has remarkably diverse training and faculty appointments related to economics, decision processes, and risk management, among others – will oversee those parts of the study related to government regulation and risk management issues. Dr. Francis Diebold – one

of the nation's top time series econometricians, who has also written a published article on the cattle cycle – will oversee all quantitative analyses, including critiquing past studies of relevance to our inquiry and the performance of any new analysis or replication study. Based on his expertise in financial markets, he will also work with Dr. Kleindorfer on risk management issues. Dr. Eric Bradlow – a marketing research professor at Wharton who holds a Ph.D. in Statistics from Harvard University – will provide expertise in marketing as well as work closely with Dr. Diebold on quantitative issues.

Though more information will be provided with a subsequent proposal, our work would certainly involve an extensive review of the relevant literature, leading to what might resemble a *Journal of Economic Literature* article. It would also involve site visits to industry participants, including ranchers, feedlot operators, packers, and retailers. We would consider holding a variety of focus groups or mini-conferences, either in Philadelphia or out in the field, to assemble groups of industry participants (either at the same stage of production or across stages of production), as well as academics and government officials. We expect that there will be significant quantitative analysis that would be involved in critiquing existing studies and that might involve new specifications and/or new data.

The team of faculty identified above is enthusiastic about the possibility of assisting GIPSA and the USDA in evaluating the list of U.S. beef industry issues contained in the notice and request for comments. At such point the procurement process begins, we would be pleased to receive the Request for Proposal that would outline the agency's interests, as amended through this period of open comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Martin A. Asher", with a stylized flourish at the end.

Martin A. Asher, Ph.D.